



Week Ahead

14 Dec – 20 Dec



Nordea Research, 11 December 2015

Next week's key events

- **US**

Next week's highlight is obviously the FOMC meeting (Wed). A rate hike seems almost certain, but the key uncertainty is related to the tone of the FOMC statement, the committee's new projections for the fed funds rate and Fed Chair Yellen's forward guidance. We expect a 25bp rate hike and a dovish message and a more dovish dot plot. Headline CPI inflation (Tue) is expected to take another step upwards in November. The Philly Fed (Thu) and Empire State (Tue) manufacturing surveys as well as housing starts (Wed) will also get some attention.

- **Euro area**

We expect little change in the flash PMI numbers (Wed) and Ifo index (Thu). At current levels the composite PMI suggests GDP growth of 0.4% q/q in the Euro area. Inflation should be confirmed at 0.1% y/y (Wed). On Thursday the ECB will publish the Economic Bulletin.

- **UK**

UK CPI numbers will be released Tuesday. Our forecast is that CPI remain around zero in November.

- **Japan**

Bank of Japan (BoJ) to announce new rate decision on Friday. BoJ is expected to stay on the sidelines and leave its last monetary policy meeting this year with no change.

- **Sweden**

The Riksbank announces their rate decision on Tuesday. The looming Fed-hike and the under-delivery from ECB, suggest that the Riksbank will stay on hold next week.

- **Norway**

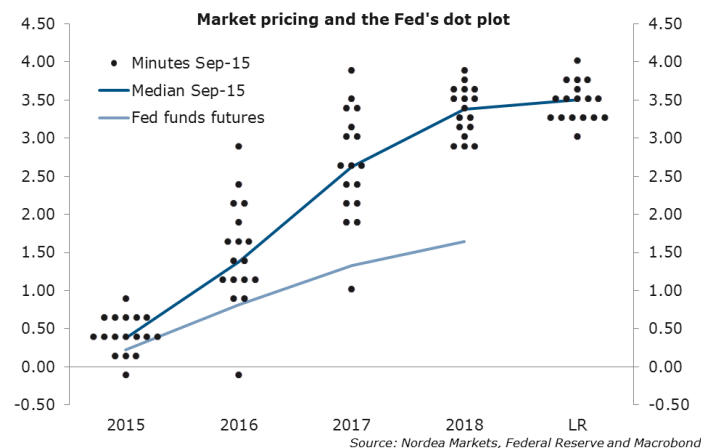
Norges Bank will present its rate decision and a new monetary policy report Thursday. We forecast rates on hold.

- **Mexico**

The Banxico committee is set for a rate lift-off when it meets the day after the FOMC meeting on Thursday next week - its first rate hike in 7 years. Read more [here](#).

US: Fed to deliver long-awaited rate hike (Wed)

- Next week's highlight is obviously the FOMC meeting. A rate hike seems almost certain, but the key uncertainty is related to the tone of the FOMC statement, the committee's new projections for the fed funds rate and Fed Chair Yellen's forward guidance.
- We expect the Fed to lift the target range for the fed funds rate by 25 bp to 0.25-0.50%. Last week, Fed Chair Yellen indicated that barring a massive surprise from the November jobs report, December would be the month for action. Thus, last [Friday's solid jobs data](#) more or less cemented the case for lift-off at next week's FOMC meeting, which concludes on 16 December.
- In an effort to reduce the risk of triggering a significant tightening of financial conditions, the Fed is likely to couple the first rate hike since 2006 with a dovish message and a more dovish dot plot.
- For more details, see [Fed to deliver long-awaited rate hike – FOMC preview](#).
- The FOMC statement will be released at 20.00 CET. Yellen's press conference starts at 20:30.



FOMC median forecast for the fed funds rate

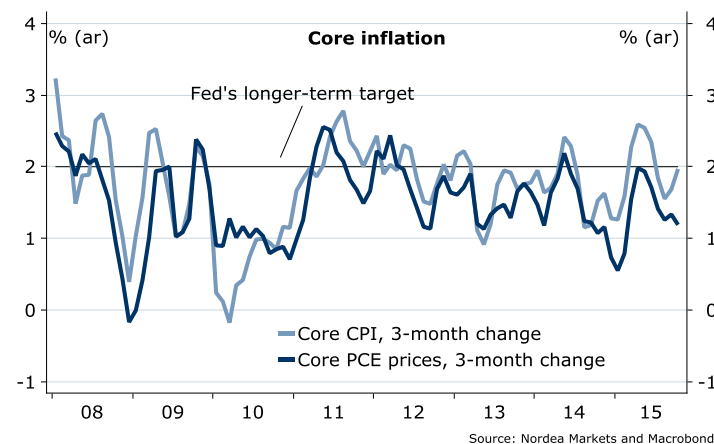
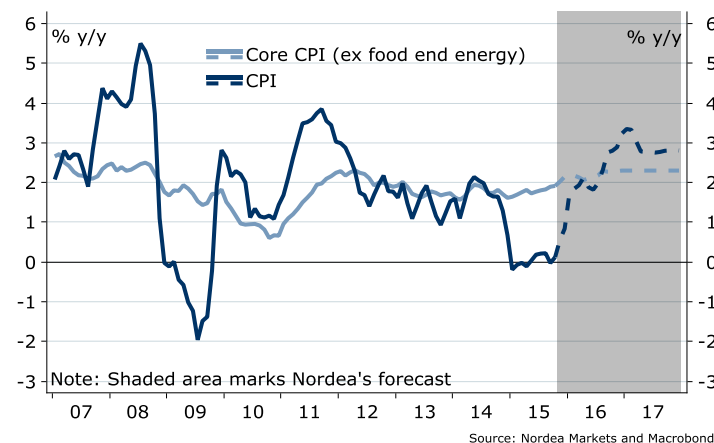
	End-2015	End-2016	End-2017	End-2018	Longer run
Jun-13	1.000				4.00
Sep-13	1.000	2.000			4.00
Dec-13	0.750	1.750			4.00
Mar-14	1.000	2.250			4.00
Jun-14	1.125	2.500			3.75
Sep-14	1.375	2.875	3.750		3.75
Dec-14	1.125	2.500	3.625		3.75
Mar-15	0.625	1.875	3.125		3.75
Jun-15	0.625	1.625	2.875		3.75
Sep-15	0.375	1.375	2.625	3.375	3.50

US: inflation to take another step upwards

(Tue)

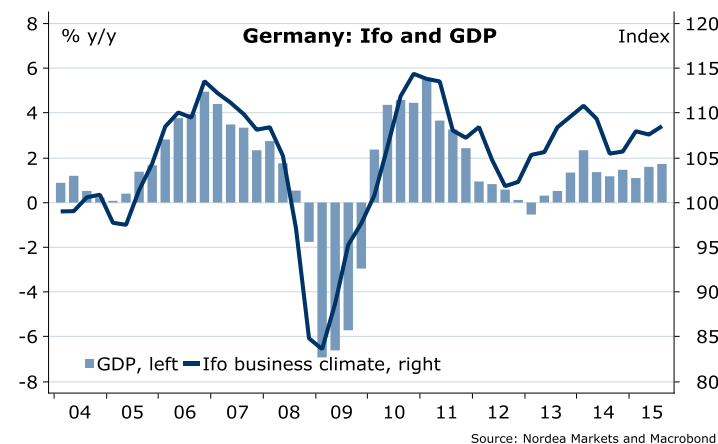
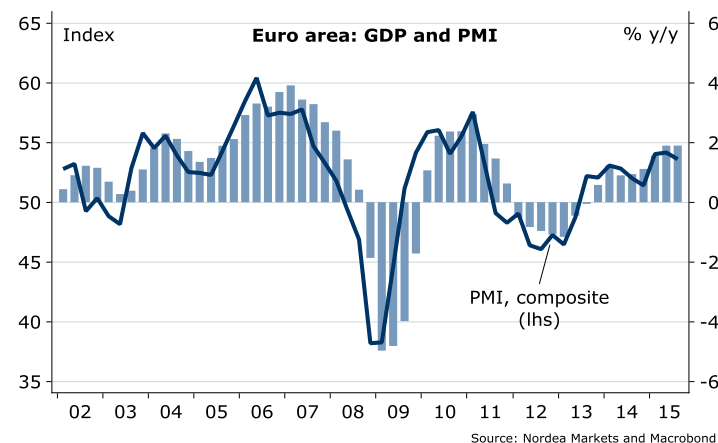
- We expect **CPI headline** inflation to rise to 0.6% y/y in November from 0.2% in October, driven by fading base effects from the sharp drop in energy prices late last year. The consensus forecast is 0.5%.
- Even if oil prices are sustained at current low levels, the headline inflation rate will rise further in December and January due to a further fading base effect, to around 1½% early next year. However, this is significantly lower than our official forecast of a rebound to around 2%, which is based of much higher oil prices.
- We expect the **core rate** to edge up from 1.9% to 2.0% y/y in November, in line with the consensus estimate. This would be the strongest reading since May 2014. With an expected 0.2% rise in November the core CPI would be up 2.3% so far this year, a significant acceleration from the 1.6% pace last year.
- **Core PCE inflation** remains significantly weaker than core CPI inflation. Unusually low health care inflation has held down core PCE inflation over the last few years, due to a combination of policy-related restraint on prices and slowing wages in the sector. However, this looks likely to change in coming quarters.

Nov-15	Nordea	Consensus	Previous
CPI, % y/y	0.6	0.5	0.2
Core CPI, % y/y	2.0	2.0	1.9



Euro area: PMIs (Wed); Germany: Ifo (Thu)

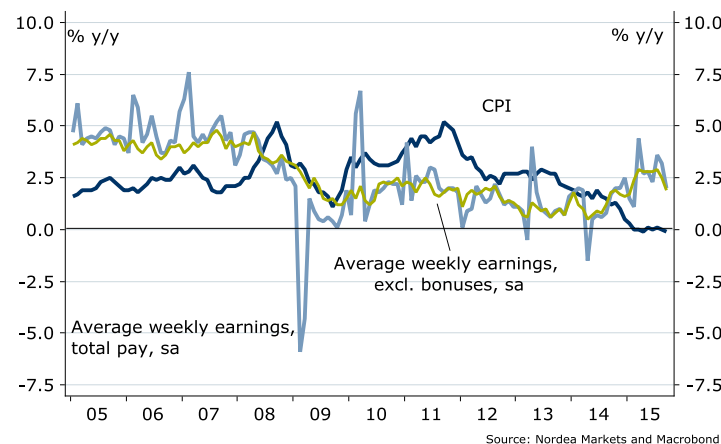
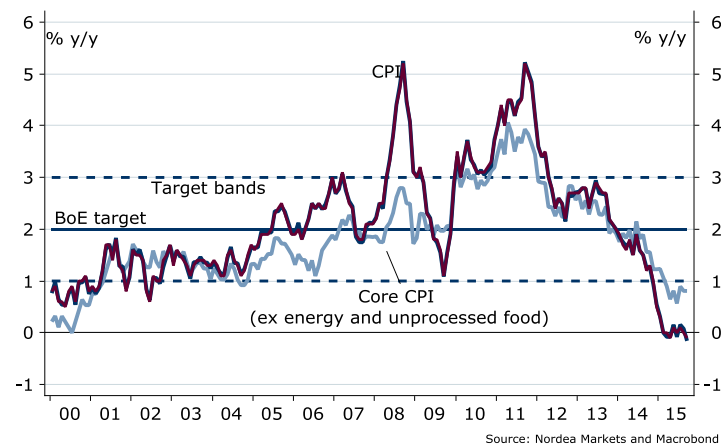
- We see **opposing forces** at work that ultimately should lead to **little change in the Euro-area PMIs and the Ifo index for Germany**.
- During recent weeks, the **EUR** first declined and then strengthened post ECB, so no clear influence. **Oil prices** fell, and while this supports growth in oil-importing regions, worries are rising that the rout increasingly reflects weak demand from Emerging Markets.
- All in all we expect the Euro-area composite PMI **unchanged** at 54.2. At current levels the it suggests GDP growth of 0.4% q/q.
- **We expect a small decline in the Ifo business climate** after the surprising rise in both components in November. Hard data for industrial production and foreign trade have recently come in on the weak side while sentiment indicators are pointing towards robust growth.



UK: Inflation rates remain subdued

(Tue)

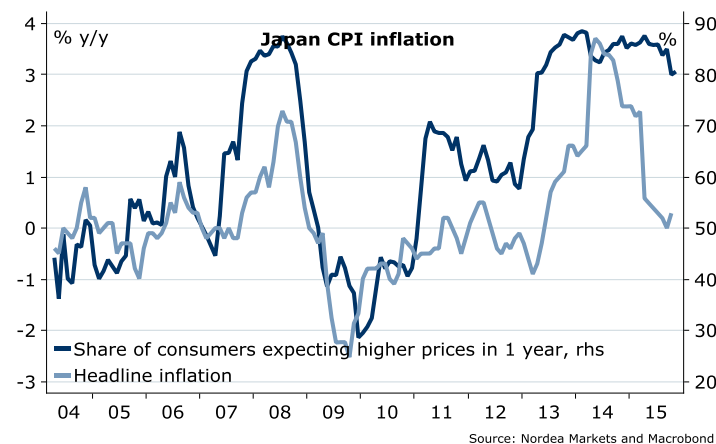
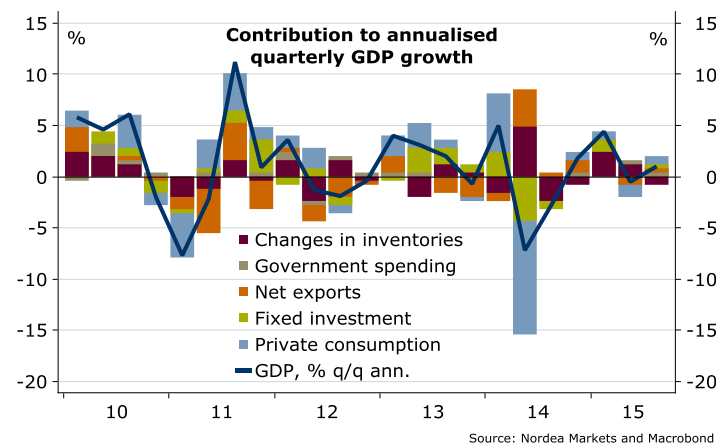
- In line with the BoE's expectations **CPI** increased by 0.1% m/m and fell by 0.1% in the year in October. Upward price pressure for clothing and footwear and recreational goods were offset by downward price pressure for university tuition fees, food and energy prices.
- **Core inflation**, which excludes energy and food prices, increased somewhat to 1.1% y/y in October.
- **Our forecast is that CPI remain around zero in November (0.0% m/m and 0.2% y/y).**
- The December MPC minutes stated that *"The price of oil had fallen markedly again, increasing the likelihood that headline inflation rates would remain subdued, and nominal wage growth has levelled off"*.
- Further tightening of the labour market will probably put an upward pressure on wage growth. Thus, we expect inflation pressures to gradually build up onwards.
- Our forecast is that the BoE will start hiking rates in Q2 next year.



Japan: BoJ on the sidelines

(Fri)

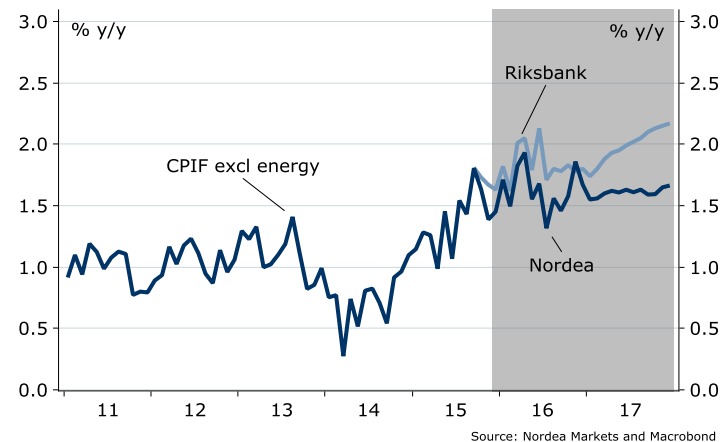
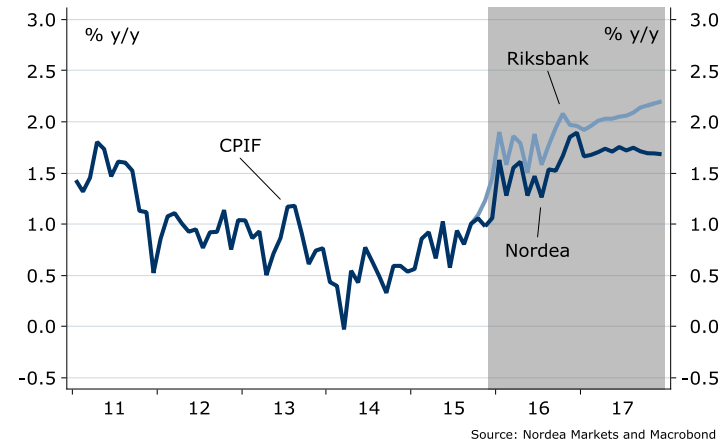
- In contrast to all the actions from the ECB and the Fed (expected) in December, the BoJ is expected to stay on the sidelines and leave its last monetary policy meeting this year on Friday with no change. We expect governor Kuroda to maintain the same tone that growth is on track to recovery and inflation expectation is rising.
- The revised GDP data supported Kuroda's optimistic view on growth. Instead of contracting by 0.8% annualised in Q3, the economy actually grew by 1%. We expect the modest growth to continue, so the BoJ faces no heavy pressure to ease for the sake of growth.
- On inflation we are still sceptical that the 2% inflation target can be achieved within two years. Not only has CPI inflation excl. fresh food fallen to -0.1% in October, consumers' inflation expectation has dropped, to the lowest level since May 2013. However, the BoJ has seemingly adopted a lenient attitude towards when to meet the inflation target.
- The BoJ's hesitation to ease more to push up inflation is supported by the government, which does not want to more JPY weakening that benefits the large exporters but hurt small businesses and households through more expensive imports.



Riksbank: Wait-and-ease mode

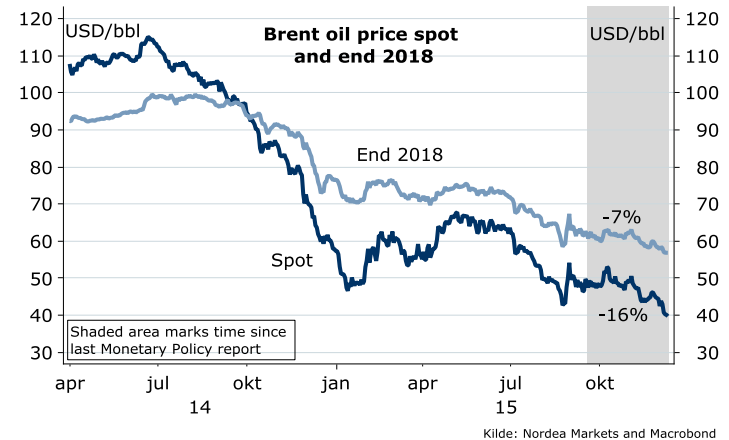
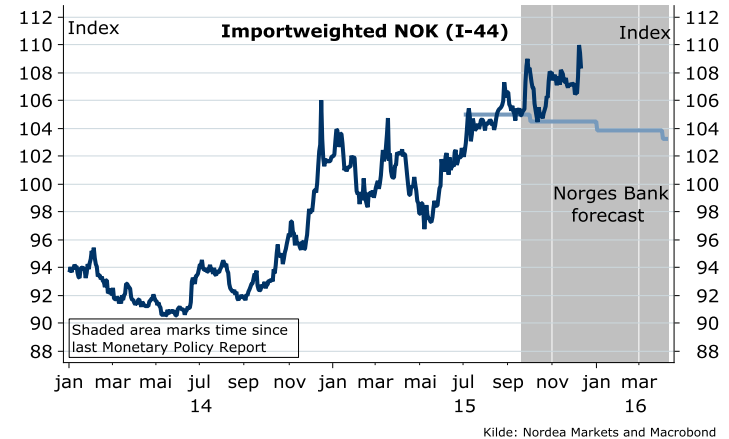
(Tue)

- The looming Fed-hike and the under-delivery from ECB, suggest that the **Riksbank** will stay **on hold** next week. Also domestic factors, such growth and inflation expectations, supports this view. However, the surprisingly low inflation outcome, and the recent fall in oil prices, has somewhat opened up for further stimulus. Read more on our take [here](#).
(Tuesday)
- We forecast **unemployment** at 7.0% in November, down from 7.2% in seasonally adjusted terms. The short-term labour market trends should stay positive.



Norway: Again its weak NOK against low oil price

- Norges Bank will present its rate decision and a new monetary policy report Thursday 10:00. The press conference is at 10:30
- **We forecast rates on hold.** That is in line with Norges Bank's communication from September. **However, the rate path will be lowered somewhat and indicate more than 50% chance of a rate cut in March, a bit earlier than indicated in the September report**
- Again it is mainly a question about weak NOK against lower oil price. Oil prices have fallen since September and could be an argument for cutting rates now. However, the weak NOK should outweigh the drop in oil prices.
- Inflation has been largely in line with Norges Bank's view. Concerning growth the Regional Network indicates somewhat weaker growth than Norges Bank's Q4 forecast. However, ahead public demand is set to increase far more than Norges Bank's forecast and it will contribute positive to its growth forecast
- Registered unemployment is due on Friday. After a modest increase of 700 persons in November we expect 1 500 new unemployed (inc labour market measures) in December, which will be in line with the recent trend



Calendar

Monday, 14/12/2015					Nordea	Consensus	Actual	Previous
00:50	JP	Tankan, large manufacturers	Q4			11		12
08:00	SE	House prices, Måklarstatistik (y/y)	Nov					16%
08:00	SE	Unemployment, Swedish Public Employment Service	Nov					4.1%
09:00	SE	Riksbank's monetary policy meeting 6						
11:00	EU	ECB's Nowotny Briefs with IMF on Article 4 Mission						
11:00	EU	Industrial production (m/m, sa)	Oct	0.2%	0.2%			-0.3%
13:00	IN	CPI (y/y)	Nov		5.3%			5.0%
13:00	SE	Meeting of the General Council of the Riksbank						
Tuesday, 15/12/2015					Nordea	Consensus	Actual	Previous
01:30	AU	Minutes of RBA rate meeting						
09:00	CN	Money supply, M2 (y/y) (Exp 10- 15 Dec)	Nov		13.4%			13.5%
09:30	SE	The Riksbank announces interest rates		-0.35%				-0.35%
10:00	NO	Foreign trade with goods (bn)	Nov					
10:30	GB	CPI (m/m)	Nov		-0.1%			0.1%
10:30	GB	CPI (y/y)	Nov		0.0%			-0.1%
11:00	DE	ZEW, current situation	Dec	54	54.1			54.4
11:00	DE	ZEW, expectations	Dec	6	15.0			10.4
12:00	RU	Trade balance (USD) (Exp 10- 15 Dec)	Oct		9.4bn			9.6bn
14:00	HU	MNB announces interest rates (Base rate)	Dec		1.35%			1.35%
14:00	PL	CPI (m/m, final)	Nov					0.0%
14:00	PL	CPI (y/y, final)	Nov					-0.5%
14:30	US	CPI (m/m)	Nov		0.0%			0.2%
14:30	US	CPI (y/y)	Nov		0.5%			0.2%
14:30	US	CPI, core (m/m)	Nov		0.2%			0.2%
14:30	US	CPI, core (y/y)	Nov		2.0%			1.9%
14:30	US	Empire manufacturing	Dec		-5.8			-10.7
15:00	US	TIC flows, net long-term	Oct					33.6bn
15:00	US	TIC flows, net total	Oct					-175.1bn
16:00	US	Housing market index, NAHB	Dec		63			62
Wednesday, 16/12/2015					Nordea	Consensus	Actual	Previous
	EU	ECB Non-monetary Policy Meeting						
09:00	FR	PMI, manufacturing (flash)	Dec	50.5				50.6
09:00	FR	PMI, services (flash)	Dec	51.0				51
09:30	DE	PMI composite (flash)	Dec	55				55.2
09:30	DE	PMI manufacturing (flash)	Dec	52.6	52.5			52.9
09:30	DE	PMI, services (flash)	Dec	55	55.5			55.6
10:00	EU	PMI, composite (flash)	Dec	54.2	54.2			54.2

Calendar

Wednesday, 16/12/2015 (continued)				Nordea	Consensus	Actual	Previous
10:00	EU	PMI, manufacturing (flash)	Dec	52.8	52.5		52.8
10:00	EU	PMI, services (flash)	Dec	54.3	54.0		54.2
10:30	GB	Earnings, ex bonus, average (y/y, 3mma)	Oct		2.3%		2.5%
10:30	GB	Unemployment rate, claimant count	Nov		2.3%		2.3%
11:00	EU	HICP (y/y, final)	Nov	0.1%	0.1%		
11:00	EU	HICP core - ex food, energy, alcohol & tobacco (y/y, final)	Nov	0.9%	0.9%		0.9%
11:00	EU	Trade balance (sa)	Oct				20.1bn
13:00	CZ	CNB announces interest rates (Repo rate)	Dec		0.05%		0.05%
13:00	US	Mortgage applications, MBA	Dec				1.2%
14:00	RU	Industrial production (y/y) (Exp 15- 16 Dec)	Nov		-2.9%		-3.6%
14:30	US	Building permits	Nov		1153k		1150k
14:30	US	Housing starts	Nov		1040k		1060k
14:30	US	Housing starts (m/m)	Nov		7.6%		-11.0%
15:15	US	Capacity utilization	Nov		77.4%		77.5%
15:15	US	Industrial production (m/m)	Nov		-0.1%		-0.2%
15:45	US	Markit manufacturing PMI (preliminary)	Dec		52.8		52.8
20:00	US	FOMC announces interest rates (lower bound)	Dec	0.25%	0.25%		0.00%
20:00	US	FOMC announces interest rates (upper bound)	Dec	0.50%	0.50%		0.25%
22:45	NZ	GDP (q/q)	Q3		0.8%		0.4%
22:45	NZ	GDP (y/y)	Q3		2.3%		2.4%
Thursday, 17/12/2015				Nordea	Consensus	Actual	Previous
	ID	Bank Indonesia Deposit Facility Rate	Dec				5.50%
	ID	Bank Indonesia Lending Facility Rate	Dec				8.00%
	ID	Bank Indonesia Reference Rate	Dec				7.50%
	MX	BoM announces interest rates	Dec				3.00%
00:50	JP	Merchnds Trade Exports (y/y)	Nov		-1.6%		-2.1%
00:50	JP	Merchnds Trade Imports (y/y)	Nov		-7.5%		-13.4%
09:00	PH	BSP Overnight Borrowing Rate	Dec				4.00%
09:00	PH	BSP Special Deposit Account Rate	Dec				2.50%
09:30	SE	Financial accounts	Q3				66bn
09:30	SE	Financial accounts 2014					
09:30	SE	Unemployment, labour force survey (AKU)	Nov	6.6%	6.6%		6.7%
09:30	SE	Unemployment, labour force survey (AKU), sa	Nov	7.0%	7.1%		7.2%
10:00	EU	ECB publishes Economic Bulletin					
10:00	DE	Ifo, business climate (main)	Dec	108.5	108.9		109.0
10:00	DE	Ifo, current assessment	Dec	113.0	113.4		113.4
10:00	DE	Ifo, expectations	Dec	104.2	104.8		104.7

Calendar

Thursday, 17/12/2015 (continued)					Nordea	Consensus	Actual	Previous
10:00	NO	Norges Bank publishes interest rate decision						0.75%
10:00	NO	Norges Bank publishes new Monetary Policy Report						
10:30	GB	Retail sales ex auto (y/y)	Nov		2.2%			3.0%
10:30	GB	Retail sales ex auto fuel (m/m)	Nov		0.4%			-0.9%
14:00	PL	Minutes of NBP rate meeting						
14:00	RU	Investment in productive capacity (y/y)	Nov		-5.4%			-5.2%
14:00	RU	Real wages (y/y)	Nov		-10.1%			-10.9%
14:00	RU	Retail sales (y/y)	Nov		-11.5%			-11.7%
14:00	RU	Unemployment rate	Nov		5.6%			5.5%
14:30	US	Current account balance	Q3		-123.0bn			-109.7bn
14:30	US	Jobless claims, continuing	Dec					
14:30	US	Jobless claims, initial	Dec					
16:00	US	Leading index	Nov		0.1%			0.6%
16:00	US	Philadelphia Fed	Dec		1.5			1.9
Friday, 18/12/2015					Nordea	Consensus	Actual	Previous
04:20	JP	BoJ announces interest rates	Dec					
08:45	FR	Business confidence (manufacturing), INSEE	Dec	102				102
10:00	NO	Unemployment rate, registered (unadj. and excl. labour market s	Dec					
10:00	NO	Unemployment, registered and persons on labour market schen	Dec					
10:00	SE	ESV publish their budget forecast						
14:30	CA	CPI (m/m, sa)	Nov					0.2%
14:30	CA	CPI (y/y)	Nov					1.0%
14:30	CA	CPI, core (m/m, sa)	Nov					0.2%
14:30	CA	CPI, core (y/y)	Nov					2.1%
15:45	US	Markit composite PMI (preliminary)	Dec					56.1
15:45	US	Markit services PMI (preliminary)	Dec					55.9
16:00	US	Kansas City Fed manufacturing activity	Dec					1
19:00	US	Fed's Lacker Gives 2016 Economic Outlook at Charlotte Chamber						

Nordea Markets is the name of the Markets departments of Nordea Bank Norge ASA, Nordea Bank AB (publ), Nordea Bank Finland Plc and Nordea Bank Danmark A/S.

The information provided herein is intended for background information only and for the sole use of the intended recipient. The views and other information provided herein are the current views of Nordea Markets as of the date of this document and are subject to change without notice. This notice is not an exhaustive description of the described product or the risks related to it, and it should not be relied on as such, nor is it a substitute for the judgement of the recipient.

The information provided herein is not intended to constitute and does not constitute investment advice nor is the information intended as an offer or solicitation for the purchase or sale of any financial instrument. The information contained herein has no regard to the specific investment objectives, the financial situation or particular needs of any particular recipient. Relevant and specific professional advice should always be obtained before making any investment or credit decision. It is important to note that past performance is not indicative of future results.

Nordea Markets is not and does not purport to be an adviser as to legal, taxation, accounting or regulatory matters in any jurisdiction.

This document may not be reproduced, distributed or published for any purpose without the prior written consent from Nordea Markets.

Editor:

Rasmus Thomsen-Hviid
Assistant Analyst
Economic Research
+45 33 33 11 45

Rasmus.thomsen-hviid@nordea.com